

Going Beyond AML: Defining Affordability in State Code

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Summary of HB 1104

- HB 1104 gives localities the broad ability to provide design, procedural, and financial bonuses to developers in exchange for developing affordable housing
- It's similar to HB 1101, with added flexibility for localities to design their own incentive structures

Why flexibility?

- Every jurisdiction faces its own circumstances and needs its own toolbox for developing affordable housing
- Many localities are combating blight and economic distress, while others are struggling to place affordable housing on high-priced land

For instance, Charlottesville's situation:

- Many high-income professionals in education, medicine, and tech
- Area median income is \$89,600, and yet poverty rate exceeds 20%
- Historically Black neighborhoods rapidly gentrifying
- Large student renter population in older single-family housing stock
- "Land-locked" locality by surrounding Albemarle urban ring
- Many city workers commute more than an hour into rural counties

One key 'flexibility' feature of HB 1104: Defining affordability locally

From the bill: A locality establishing an inclusionary housing ordinance shall define the term "affordable" according to the needs of the residents of that locality.

How does current housing policy define affordability?

- HB 1101 defines affordable housing as housing that costs no more than 30 percent of an individual's income for individuals at or below the area median income
- HB 1101 also targets "low-income" and "very low-income" renters, who earn 80 percent and 50 percent of area median income, respectively

This creates problems:

1. "Affordability", even as a percentage of AMI, varies greatly across localities
2. Different localities have different political preferences
3. AMI fails to capture income or racial inequality

1. Cross-jurisdictional challenges to AMI affordability

- A state-level formula doesn't capture external costs, like transportation or utility payments
- Even pegging "affordable housing" as affordable to very low-income renters, or 50 percent AMI renters, will be out of reach in high-income communities
 - Charlottesville AMI is \$89,600. "Very low-income" housing would include people making up to \$21 per hour, which misses many essential workers
 - In Buena Vista, very low-income housing would include renters making up to \$15 per hour
 - Anyone from either of these places knows that "affordable" is very particular to the town
- Areas with large senior populations may need to target housing for individuals on Social Security income (\$783/month), requires a focus on very deep affordability, but also triggers new funding streams for development

Severely Cost-Burdened Renters

4,980 renter households in the region spent more than 50% of their income on housing.

- 4,040 Households in the Urban Jurisdictions
- 940 Households in the Rural Counties

Cost burdens were highest among renters with the lowest incomes

AMI= Area Median Income

Extremely Low Income (Less than 30% AMI)



Very Low Income (30% to 50% AMI)



Low Income (50% to 80% AMI)

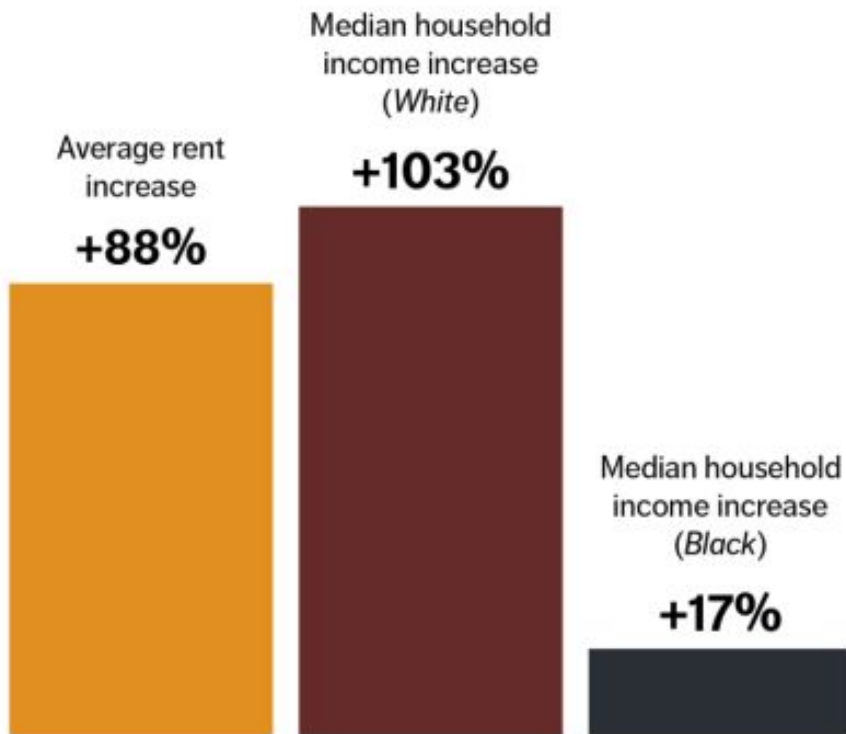


2. Different political preferences

- Some localities will have different political preferences when it comes to defining affordability — e.g., some localities will want to tailor their ordinances towards racial equity, and using a statewide formula could curtail those efforts

3. AMI doesn't capture income or racial inequity

- Black median income is consistently and significantly less than white median income in Virginia
- Black, Hispanic and Native renters are far more likely to be extremely low-income than white renters



Between 2000 and 2018, average rents in the City of Charlottesville far outpaced income growth for Black residents.

White households in Charlottesville saw their incomes rise alongside the rise in rents.

At the same time, average incomes for Charlottesville's Black households have barely risen at all, creating a stark affordability gap.

2000 U.S. Census SF3 data;
2014-2018 American Community Survey 5-year estimates
Analysis by Jonathan Knopf, HDAvisors

Priorities for future housing policy

- Allow localities flexibility to set their own affordability thresholds and tackle their communities' needs
- Emphasize ability to focus on extremely low-income renters